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No. (1) 101323

Supreme Court, U.S.
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Supreme Court of the United States

UHS OF DELAWARE, INC.,

*Petitioner,*

v.

MARY VIRGINIA MASTERS,
also known as VIRGINIA E. JOHNSON,

*Respondent.*

ON PETITION FOR WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

# PETITION FOR WRIT OF CERTIORARI

Dean L. Franklin
*Counsel of Record*
THOMPSON COBURN LLP
One US Bank Plaza
St. Louis, Missouri 63101
(314) 552 6000
dfranklin@thompsoncoburn.com

*Counsel for Petitioner*

Ewell E. Eagan, Jr.
Donna Phillips Currault
GORDON, ARATA, MCCOLLUM,
DUPLANTIS & EATON, L.L.P.
201 St. Charles Avenue, 40th Floor
New Orleans, Louisiana 70170
(504) 582 1111

*Counsel for Petitioner*

*Dated: April 27, 2011*

THE LEX GROUP DC ◆ 1825 K Street, N.W. ◆ Suite 103 ◆ Washington, D.C. 20006
(202) 955-0001 ◆ (800) 856-4419 ◆ Fax (202) 955-0022 ◆ www.thelexgroup.com

## QUESTIONS PRESENTED FOR REVIEW

1. Whether the Lanham Act authorizes the jury to award disgorgement of profits when plaintiff delays asserting a claim or raising any complaint of trademark infringement for over ten years?

2. Whether the Lanham Act authorizes equitable relief of disgorgement of profits in a trademark dispute when the plaintiff fails to introduce any evidence of actual confusion, the jury expressly finds that the plaintiff suffered no damage, and the court fails to enter findings of fact and conclusions of law to support such an award?

## PARTIES TO THE PROCEEDINGS

Pursuant to Supreme Court Rule 14.1, petitioner states while all parties to the proceedings in the court whose judgment is sought to be reviewed are listed in the caption, Ms. Johnson was also plaintiff in her capacity as Trustee of the Revocable Trust Indenture of Virginia E. Johnson.

## RULE 29.6 STATEMENT

UHS of Delaware, Inc. is a corporation organized under the laws of Delaware and is a wholly owned subsidiary of Universal Health Services, Inc. Universal Health Services, Inc. is a publically traded corporation listed on the New York Stock Exchange and owns 100% of the stock of UHS of Delaware, Inc.

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## PETITION FOR WRIT OF CERTIORARI

Petitioner UHS of Delaware, Inc. ("UHS") respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Eighth Circuit.

## JUDGMENT FOR WHICH REVIEW IS SOUGHT

The opinion of the United States Court of Appeals for the Eighth Circuit affirming the judgment of the trial court is published at 631 F.3d 464 (8th Cir. 2011) and is reproduced in the Petition Appendix ("App.") at 1a-21a. The order of the United States Court of Appeals for the Eighth Circuit denying rehearing and/or rehearing en banc is reproduced at App. 32a-33a. The jury verdict is reproduced at App. 34a-37a.

## JURISDICTION

The panel decision of the United States Court of Appeals for the Eighth Circuit was entered on January 6, 2011. App. 1a-21. The United States Court of Appeals for the Eighth Circuit denied rehearing and/or rehearing en banc on February 18, 2011. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

## STATUTES OR OTHER PROVISIONS INVOLVED

Section 35 of the Lanham Act, as amended, 15 U.S.C. § 1117(a) states:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such

> sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

## STATEMENT OF THE CASE

The jurisdiction of the Eastern District of Missouri was invoked under the Lanham Act as amended, 15 U.S.C. § 1051 et seq., and under 28 U.S.C. §§ 1331 (federal question jurisdiction), 1338 (patent, copyright, and trademark jurisdiction), and 1367 (supplemental jurisdiction).

### A. Factual Background

UHS is a management company that owns and/or operates numerous acute care and behavioral health centers across the United States. Twenty years ago, UHS hired a mental health professional, trained by sex researchers Dr. Masters and Ms. Johnson, to act as clinical director for a series of clinics devoted to the comprehensive treatment of sexual trauma. In operating these sexual trauma clinics, he employed the hallmarks of the Masters and Johnson therapy technique – short term intensive and directive psychotherapy that focused on intimacy in relationships – to treat sexual trauma. Almost immediately after arriving at UHS, this clinical director brought UHS together with Dr. Masters and Ms. Johnson.

In 1991, UHS entered into its first license with the plaintiff, Ms. Johnson, and her then-husband, Dr. Masters, for use of the service mark "Masters and Johnson" in connection with treatment of sexual trauma at UHS facilities. UHSAppx. 1081-92. Working with Dr. Masters, UHS established treatment programs at certain clinics, naming those programs the "Masters and Johnson Programs." UHSAppx. 1762-73. Dr. Masters helped develop and promote these treatment programs. Vol. 3, at 25-26, 33-35, 41-46; Vol. 4, at 68, 135-36, 141-45; UHSAppx. 343-44, 346, 348, 350, 1762-73. Between 1991 and 1995, UHS entered into two trademark licenses with Ms. Johnson and Dr. Masters. UHSAppx. 1081-1100. During this same time period, UHS separately retained Dr. Masters' professional services via physician's agreements. UHSAppx. 1101-02; 1126-28. Ms. Johnson retired from practice in 1992 and divorced Dr. Masters in 1993.

In 1995, following four years of Dr. Masters' involvement with UHS treatment programs, the parties entered into the trademark license at issue. UHSAppx. 1129-34. This license perpetuated what Dr. Masters referred to as a "successful relationship." UHSAppx. 1129-34; 1162-67, 1169. The license had a ten-year term and permitted UHS to use the mark "in the treatment of sexual dysfunction and sexual trauma in accordance with the established methodology of Licensor." UHSAppx. 1129-30.

Continuing the conflict that marked their dissolved marriage, Ms. Johnson objected to the 1995 license proposed by Dr. Masters and ultimately

refused to sign. UHSAppx. 1169-82, 1183. In accordance with their separation agreement, an arbiter executed the license on her behalf and over her objection. UHSAppx. 1113-17. The license precluded Dr. Masters and Ms. Johnson from entering into any other license concerning use of the mark in the mental health field. UHSAppx. 1131.

Dr. Masters continued his participation in the use of the mark by UHS prior to his death. His influence is shown through written materials produced by UHS. *See, e.g.* UHSAppx. 1194, 1314-17, 1762-73. He attended seminars presented by UHS (at times as a lecturer), consulted on treatment theory, visited facilities, trained therapists, and observed group therapy sessions. Vol. 3, at 25-26, 33-35, 41-46; Vol. 4, at 68, 135-36, 141-45; UHSAppx. 343-44, 346, 348, 350, 1762-73. Vol. 3, at 56-61; Vol. 4, at 136-45; UHSAppx. 1293-94, 1295, 1296-99, 1304-11, 1312-13, 1314-17, 1367-74, 1762-73.

Dr. Masters passed away in 2001, six years into the 10-year license. Although Ms. Johnson knew about the programs, once inspected a UHS treatment facility, and attended an open house program in St. Louis, Missouri, she refused to have any role with UHS during the entire term of the 10-year license. Vol. 1, at 50-57; UHSAppx. 348-49; UHSAppx. 1169-82, 1183. To quote Ms. Johnson: "I did not concern myself. I didn't involve myself at all with the goings on. I didn't – particularly wasn't interested." Vol. 6, at 18; Vol. 1, at 63; UHSAppx. 1966. The only time she expressed any interest during the ten-year license was in 2001 after Dr. Masters died. At that time, she contacted UHS to

ensure that she would begin receiving royalty payments previously paid to Dr. Master's in accordance with the terms of her Divorce Decree. Vol. 2, at 68; Vol. 4, at 41; UHSAppx. 348-49, 1205-06, 1966. Ms. Johnson continued to receive timely royalty payments through the end of the ten-year license. Vol. 4, at 19; Vol. 5, at 69; UHSAppx. 348-49, 1129-34, 1777-79.

Despite her knowledge of the license and the UHS treatment program, Ms. Johnson never once suggested to anyone that use of the mark by UHS was improper or otherwise in violation of the contractual agreement. Vol. 1, at 55-56, 63, 68; Vol. 6, at 18; UHSAppx. 348-49. At no time throughout the nearly fifteen years UHS used the mark (in an open and obvious manner) did anyone, including plaintiff, ever complain to UHS about its use of the mark. Vol. 3, at 33-34, 41, 43, 62; Vol. 4, at 77-79; UHSAppx. 345-46, 348-49. The first objection UHS received concerning its use of the mark was after expiration of the ten-year license. In early 2005, attorneys for plaintiff objected to the uses when negotiations concerning a possible renewal of the license broke down. Vol. 1, at 72; Vol. 2, at 68; UHSAppx. 1223-24.

In light of the personal involvement of Dr. Masters in the establishment and operation of UHS treatment programs prior to his death, UHS believed that its actions were authorized by the license, as negotiated and agreed between UHS and Dr. Masters. Promptly after receiving notice of Ms. Johnson's objections, UHS developed a plan and promptly implemented that plan to immediately discontinue use of the mark at its clinics. *See* Vol. 2,

at 103-06; Vol. 4, at 121-123; Vol. 5, at 32-37; UHSAppx. 1227-53.

## B. Proceedings Below

Ms. Johnson filed the underlying suit against UHS on December 29, 2006, nearly two years after her first complaint to UHS about its use of the mark and twelve years after the execution of the ten-year license. In her complaint, Ms. Johnson alleged that UHS had breached the license of service mark agreement by using the mark outside of the scope authorized by the license; in other words, using treatments outside of the "established methodology of Licensor." According to Ms. Johnson, the use of the mark by UHS in comprehensively treating sexual trauma, which included addressing disorders that arose from the sexual trauma (like chemical dependency) was outside the permitted scope of the license.

This matter was tried to a jury, which returned a verdict against UHS on both breach of contract and trademark infringement claims, although they found that plaintiff suffered *no* damage on either claim. App. 34a-36a. The jury found that UHS was a willful infringer and, over the objection of UHS, was allowed to make a punitive award disgorging $2.4 million in UHS profits – an amount more than six times the amount paid for the entire 10-year license. App. 36a-37a. The jury made no other specific findings. App. 34a-37a. The district court entered a one page *sua sponte* order declining to increase or decrease the amount awarded by the jury. App. 30a. Like the jury, the district court made no specific findings concerning

any equitable considerations. App. 30a. In a one sentence order, the trial court denied defendant's motion for judgment notwithstanding the verdict or, in the alternative, a new trial. App. 29a.

On appeal to the Eighth Circuit, the panel declined to review the jury verdict with respect to laches. The Eighth Circuit also declared, contrary to several decisions within the Eighth Circuit and other courts interpreting Eighth Circuit law, that actual confusion was unnecessary to support an award of profits. Instead, the Eighth Circuit found that, in a dispute involving a licensee and licensor, an award need not be supported by actual confusion and could be supported under the theory of unjust enrichment or deterrence of a willful infringer – theories not submitted to the jury or decided by the trial judge.

## REASONS FOR GRANTING THE PETITION

The Lanham Act expressly conditions an award of monetary relief on the principles of equity and the circumstances of the case. 15 U.S.C. § 1117(a) (2006) ("subject to the principles of equity"). This statute codifies long-standing rules rooted in this Court's precedent. To give effect to this mandate, a variety of mechanisms exist to ensure that an award of monetary relief under the Lanham Act (an act intended to protect consumers) does not result in a windfall for the trademark owner. The Eighth Circuit's ruling in this case strips several of those mechanisms away, in particular the preclusive effect of a ten-year delay on monetary relief and the need to demonstrate actual confusion and/or actual damages to merit disgorgement of profits. This has the effect of

permitting a plaintiff to delay suit until after full performance of a trademark license and the generation of all potential profits under that license. The plaintiff is then permitted to bring a suit to collect a substantial windfall despite intentionally ignoring any oversight of the licensee's use for over ten years and failing to demonstrate either actual damages or actual confusion.

An award of defendant's profits under the Lanham Act is subject to the rules of equity, in particular, laches. *See, e.g. George Basch Co., Inc. v. Blue Coral, Inc.*, 968 F.2d 1532, 1540-41 (2d Cir. 1992). This has long been the case in trademark matters, even "where the proof of infringement is clear." *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 102 (1918). "[A] court of equity will not ordinarily refuse an injunction for the future protection of the proprietor of a trade-mark right, even where his acquiescence and laches have been such as to disentitle him to an accounting for the past profits of the infringer." *Id.* In other words, even if liability is found and the circumstances make an injunction proper, delay will preclude monetary relief. This rule is true even where an infringer was found to be willful. *Id.* ("The rule finds appropriate application in cases of conscious infringement or fraudulent imitation"). The Lanham Act attempted to codify, rather than rewrite, the common law concerning trademark protection. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 861 n.2 (1982) (White, J., concurring) (the "purpose of the Lanham Act was to codify and unify the common law of unfair competition and trademark protection.").

The lack of damages and actual confusion, coupled with the absence of findings concerning the need for deterrence or unjust enrichment similarly precludes disgorgement of profits.[1] In addition to being subject to the principles of equity, any monetary award "shall constitute compensation and not a penalty." 15 U.S.C. § 1117(a). Without any of these components, the jury award in this case is untethered to any just compensation. This award constitutes a windfall to the plaintiff and a penalty to UHS, which is prohibited by the Lanham Act.

Despite UHS establishing laches as a matter of law,[2] the district court not only permitted Ms. Johnson to maintain her action, but permitted disgorgement of $2.4 million in profits. The courts

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[1] The jury found that UHS was a willful infringer – a finding that UHS asserts was incorrect. At all times UHS believed its actions were authorized by the license. The failure to seek injunctive relief indicates that no deterrence is necessary (See, for example, *Minnesota Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242, 1247 (8th Cir. 1994) ("if the registered owner is not entitled to an injunction, the additional claim for an award of profits will almost inevitably be denied."), and the lack of actual confusion or findings of deceptive intent are fatal to a theory of unjust enrichment. *George Basch*, 968 F.2 at 1540.

[2] UHS also argued that Ms. Johnson should be bound by her partner Dr. Masters' acquiescence to the use of the mark by UHS. As co-owner of the mark with Dr. Masters, she was a partner and is thus charged with both the knowledge of Dr. Masters and bound by his actions. Mo. Rev. Stat. §§ 358.090(1) and 358.120 (2000). The undisputed evidence demonstrated that Dr. Masters assisted UHS in developing and promoting the programs. This assistance included participation in uses that plaintiff now asserts were outside the scope of the license.

below also excused Ms. Johnson's failure to establish actual confusion even in the absence of any actual damage. Ms. Johnson's only required element of proof to demonstrate entitlement to disgorgement of profits was to establish a breach of the license based on an interpretation of the contract contrary to that employed by Dr. Masters and UHS during the life of the contract.

The decisions below have the effect of turning the Lanham Act into a weapon against licensees, permitting a licensor to intentionally ignore a license and then use it to either extract damages or more favorable license terms. Armed with self-professed ignorance of a licensee's activities, (an action itself prohibited by trademark law) a licensor could maintain such an action without the need to show actual confusion, actual damages, or be held accountable for any excessive delay. This inequitable result is prohibited by the Lanham Act and this Court's precedent.

## I. The Decision Below Conflicts with This Court's Precedent Because Ms. Johnson's Substantial and Unjustified Delay Should Preclude an Award of Profits.

This case presents a particularly inequitable scenario:

1) a licensor objects to her co-licensor[3] concerning acceptance of a proposed servicemark license with a licensee;

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[3] This fact was not known to the licensee (UHS) until the instant litigation, more than 12 years after the fact.

2) the co-licensor forces execution of the license over the licensor's objection and the co-licensor participates in the licensee's uses;

3) at the time of her objections, the licensor had visited clinics using the mark on more than one occasion;[4]

4) the licensee uses the mark during the term of the license and makes all payments required under the license ($360,000) in a timely fashion;

5) during the term of the license, the co-licensor dies;

6) the licensor accepts royalty payments under the license to which she was entitled but otherwise ignores the license throughout its ten-year term making no complaints to the licensee;

7) when negotiations over a new license break down, for the first time, the co-licensor claims that nearly all of the uses made by the licensee exceeded the scope of the servicemark license;

8) licensor delays filing suit for nearly two additional years and succeeds in convincing a jury that the licensor was a willful infringer and that disgorgement of profits was appropriate, awarding profits of more than six times the established royalty of the entire 10-year license.

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[4] She further had UHS marketing materials describing the clinic's treatment theories in her possession. UHSAppx. 1762-73.

These facts are not a matter of disputed testimony. Throughout the term of the license, Ms. Johnson was aware of the license, its terms, and the fact that UHS was continuing to use the mark and make payments. As a licensor, Ms. Johnson, had an obligation to monitor her licensee's use of the mark, which she failed to do. Despite her knowledge of the license and the uses made by UHS, she did nothing until more than ten years later – after the license had run to term. Under well-established precedent from this Court, her substantial delay should have precluded disgorgement of profits. The rulings at issue effectively diverge from this well-established body of law and conflict with multiple other appellate courts. The Eighth Circuit's decision in this case permits a disgorgement well in excess of the value of the license despite substantial delay coupled with significant prejudice to UHS.

### A. The Decisions Below Abandon Laches as a Viable Defense

If the decisions below stand, a plaintiff will no longer face any time limitation for Lanham Act claims. Indeed, laches has historically been a defendant's primary protection from stale claims after loss of critical witnesses and evidence (such as Dr. Masters in this case). *See, e.g. Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829, 836 (9th Cir. 2002).

"Unreasonable delay in bringing a suit is always a serious objection to relief in equity." *McLean v. Fleming*, 96 U.S. 245, 251 (1877). This Court has repeatedly held that a substantial delay should preclude an accounting of profits even where

infringement was found and injunctive relief was proper. *Menendez v. Holt*, 128 U.S. 514, 523-24 (1888) (finding that an approximately fourteen year delay was sufficient to preclude monetary relief); *McLean*, 96 U.S. at 257 (holding that a delay of at least twenty years precluded monetary relief and noting that "a court of equity will refuse the prayer of the complainant for an account of gains and profits, on the ground of delay in asserting his rights, even when the facts proved render it proper to grant an injunction to prevent future infringement."). In *McLean* and *Menendez*, defendants acted willfully and were enjoined from further use of the mark.

This Court's prior cases established the rule that, in the case of willful infringement of a trademark, a substantial delay will preclude an accounting of profits, yet not preclude relief altogether. *See Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 418-19 (1916), superseded by statute on other grounds, 15 U.S.C. § 1072 as recognized by *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 200 (1985) (analyzing *Menendez* and *McLean*). This court has likened the defense of laches in a trademark action to a revocable license, lasting "no longer than the silence from which its springs." *Menendez*, 128 U.S. at 524. As such,

> [a] strong case for the recognition of laches can arise in connection with a demand for an accounting of the profits earned by the defendant during the period of the plaintiff's delay. Courts have frequently denied an accounting of profits to a trademark owner who has

> knowingly permitted the defendant to conduct business for an extended time before raising a claim to the profits generated by the defendant's efforts.

Restatement (Third) of Unfair Competition § 31, cmt. d (1995).

For example, in *Menendez*, the infringer was a former partner of the trademark owner who continued to use the trademark after leaving the partnership. *Id.* at 521-22. The trademark owner in *Menendez* did not bring suit until approximately fourteen years after the infringer's first use. This Court found that use of the infringing mark was intentional. *Id.* at 523. Despite this intentional misappropriation of the trademark, this Court found the delay sufficient to "preclude recovery of damages for prior infringement." *Id.* at 524. Even though UHS disputes the jury's finding of willfulness, the facts of *Menendez* are strikingly similar to the present case.

### B. UHS Established Substantial Delay and Prejudice.

#### i. Ms. Johnson Knew or Should Have Known About the Use Under the License.

Ms. Johnson delayed for nearly twelve years before filing suit against UHS. Ms. Johnson knew or should have known about the uses of the mark under the license. A person of ordinary intelligence had sufficient information to be on notice for further inquiry: 1) Ms. Johnson and her attorneys were

aware of the license in 1995 when it was negotiated and then executed over her objection; 2) the license had a ten-year term with ongoing use of the mark throughout the term; 3) Ms. Johnson visited one of the UHS clinics in New Orleans, Louisiana and witnessed UHS patient treatment; 4) Ms. Johnson attended an open house for the treatment program held by UHS in St. Louis, Missouri to educate local practitioners about the UHS clinics; 5) Ms. Johnson had promotional material from the clinics in her possession at the time of the lawsuit; and 6) Ms. Johnson spoke with UHS to ensure receipt of royalties after Dr. Masters died in 2001. At any time, Ms. Johnson was permitted to request, and UHS was obligated to provide, samples of use. UHSAppx. 1135-36. Thus, a reasonable inquiry from Ms. Johnson (as required by trademark law, see Section I(B)(i), *supra*) would have demonstrated any alleged infringement.

### ii. Ms. Johnson's Purported Lack of Knowledge Should Not Be Excused.

Ms. Johnson's only response to the laches arguments raised by UHS was a self-professed ignorance of UHS activities. This response is legally insufficient because a plaintiff "is chargeable with such knowledge as he might have obtained upon inquiry, provided the facts already known by him were such as to put upon a man of ordinary intelligence the duty of inquiry." *Johnston v. Standard Min. Co.*, 148 U.S. 360, 370 (1893). This is not a situation involving an unknown use – this suit involves a licensor and licensee. Ms. Johnson's knowledge in 1995 put her on notice and trademark

law itself mandates the sort of inquiry that necessarily provided Ms. Johnson with knowledge of the uses she now asserts are infringing. *See, e.g. Sheila's Shine Prods., Inc. v. Sheila Shine, Inc.*, 486 F.2d 114, 123-24 (5th Cir. 1973) ("The owner of a trademark has not only a right to license the use of his trademark to others, but also a concurrent duty to exercise control and supervision over the licensee's use of the mark."). Yet she made no inquiries. Vol. 6, at 18; Vol. 1, at 63; UHSAppx. 1966. ("I did not concern myself. I didn't involve myself at all with the goings on. I didn't – particularly wasn't interested."). Ms. Johnson's self-professed ignorance of UHS activities was only made possible by her failure to live up to her duty to exercise control and supervision. To uphold the lower court's decision, the Eighth Circuit excused this behavior, behavior that is antithetical to trademark law itself. *Sheila's Shine*, 486 F.2d at 123-24 (finding that trademark law imposes a duty on the licensor to oversee licensees).

Ms. Johnson did not object to any UHS uses throughout the entire term of the 10-year license. Even after Ms. Johnson first objected to the use of the mark in 2005 after expiration of the 10-year term, Ms. Johnson did not immediately bring suit against UHS, instead waiting until early 2007.

### iii. Ms. Johnson's Delay was Greater than Twice the Closest Applicable Statute of Limitations.

Courts use the closest relevant state statute of limitations as a measure of excusable delay. *See Reynolds v. Heartland Transp.*, 849 F.2d 1074, 1075 (8th Cir. 1988). Courts presume that a delay that exceeds the relevant state statute of limitations was inexcusable. *Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813, 821 (7th Cir. 1999); *see also Wilson v. Garcia*, 471 U.S. 261, 266-67 (1985) ("When Congress has not established a time limitation for a federal cause of action, the settled practice has been to adopt a local time limitation as federal law if it is not inconsistent with federal law or policy to do so."), superseded by statute on other grounds, 28 U.S.C. § 1658(a) (2000), as recognized by *Jones v. R.R. Donnelley & Sons Co.*, 541 U.S. 369, 377-78 (2004). The relevant Missouri statute of limitations is five years. *See* Mo. Rev. Stat. § 516.120(4); *Layton Pure Food Co. v. Church & Dwight Co.*, 182 F. 35, 40 (8th Cir. 1910); *Cynergy Ergonomics, Inc. v. Ergonomic Partners, Inc.*, No. 4:08-cv-243-JCH, 2008 WL 2817106, at *3 (E.D. Mo. July 21, 2008) (identifying Mo. Rev. Stat. § 516.120 as the relevant statute for determining a presumption of laches in a trademark case). Ms. Johnson's delay of nearly twelve years is more than twice the five year statute of limitations. Such a delay is presumptively inexcusable.

### iv. To The Extent that Prejudice Was Necessary to Preclude Disgorgement of Profits, UHS Demonstrated Prejudice.

Under the traditional formulation of laches, UHS was also required to establish prejudice due to the delay.[5] *See Ancient Egyptian Arabic Order of Nobles of the Mystic Shrine v. Michaux*, 279 U.S. 737, 749 (1929) (finding delay and prejudice precluded all relief); *Hubbard Feeds, Inc. v. Animal Feed Supplement, Inc.*, 182 F.3d 598, 602 (8th Cir. 1999) (requiring delay and prejudice to the defendant in order to bar a claim completely). At trial, UHS established that it had been damaged by Ms. Johnson's delay, both in the economic and the evidentiary sense. The license permitted UHS to terminate the license without cause on six months' notice. Thus, the ten years of profits disgorged by the jury's award was only made possible by Ms. Johnson's extended silence and failure to act. UHS also invested heavily in the mark, nurturing a treatment program at several locations using the mark. This investment made to the programs could have been reallocated to other marketing efforts had

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[5] Prejudice is not required to bar monetary relief in cases of substantial delay. *See, e.g. University of Pittsburgh v. Champion Prods. Inc.*, 686 F.2d 1040, 1045 (3d Cir. 1982), *cert. denied*, 103 S. Ct. 571 (1982) (delay of approximately twenty years without substantial prejudice barred monetary relief); *Grotrian, Helfferich, Schultz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1342-44 (2d Cir. 1975) (finding a ten-year delay sufficient to preclude monetary relief despite findings of a deliberate intent to infringe and a lack of prejudice).

Ms. Johnson's objections been known in 1995 rather than 2005. Ms. Johnson's delay also damaged UHS in the evidentiary sense. UHS was forever precluded from relying on its most persuasive witness, Dr. Masters, given his death in 2001. Further, the document retention policy of UHS resulted in the loss of documents that might have been used to conclusively demonstrate Ms. Johnson's knowledge of the programs or Dr. Masters' consent to the programs. UHSAppx. 1774-76. UHS was thus damaged both from an economic and evidentiary perspective.

UHS thus presumptively established that the delay was inexcusable and that it was prejudiced by this delay. Ms. Johnson did not rebut UHS' case of laches and both the district court and the Eighth Circuit virtually ignored this issue by referencing "disputed" evidence in the record, but failing to identify any such disputed evidence.

### C. Until This Case, Appellate Courts Had Honored Supreme Court Precedent.

The Eighth Circuit law prior to this case was in complete accord with this Court's earlier decisions. "It is a rule, often followed in patent and trade-mark cases, that courts of equity will deny recovery of profits in infringement cases brought after long delay, except from the date of the commencement of the suit, when the circumstances are such that it would be an injustice to award damages." *Montgomery Ward & Co. v. Clair*, 123 F.2d 878, 883 (8th Cir. 1941). Indeed, the Eighth Circuit regularly held that delay precluded an award

of monetary relief as a matter of law. *See San Francisco Ass'n for the Blind v. Indus. Aid for the Blind*, 152 F.2d 532, 537 (8th Cir. 1946) (nine-year delay precluded relief); *H.P. Coffee Co. v. Reid, Murdoch & Co.*, 60 F.2d 387, 388 (8th Cir. 1932) (approximately seventeen-year delay foreclosed disgorgement of profits); *Layton Pure Food*, 182 F. at 39-42 (delay of eight years sufficient to preclude monetary relief). Each of these cases involved determination of this defense as a matter of law by the Court. *San Francisco Ass'n for the Blind*, 152 F.2d at 537; *H.P. Coffee Co. v. Reid, Murdoch*, 60 F.2d at 388; *Layton Pure Food Co.*, 182 F. 35 at 42. Regardless of the final conclusion on the merits, at a minimum Ms. Johnson's delay should have precluded an award of disgorgement of profits.

Indeed, prior to the Eighth Circuit's decision in this case, courts were consistent in their application of this Court's precedent. See for example, Second Circuit (*Grotrian*, 523 F.2d at 1344 (precluding monetary relief after a delay of ten years even though the infringement was found to be intentional)); Third Circuit (*University of Pittsburgh*, 686 F.2d at 1045 (finding that monetary relief was barred where the plaintiff knew or should have known about the uses for twenty years); Fourth Circuit (*Brittingham v. Jenkins*, 914 F.2d 447, 456-57 (4th Cir. 1990) (delay of between three and eight years precluded disgorgement of profits)); Fifth Circuit (*Conan Props, Inc. v. Conans Pizza, Inc.*, 752 F.2d 145, 152 (5th Cir. 1985) (delay of five years precluded an award of profits earned during the period of delay)); Seventh Circuit (*James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 572 F.2d 574, 578 (7th Cir. 1978) (delay of greater than ten years was

sufficient to preclude an award of profits earned during the delay)); Ninth Circuit (*Prudential Ins. Co. of Am. v. Gibraltar Fin. Corp. of Cal.*, 694 F.2d 1150 (9th Cir. 1982) (twenty-eight-year delay precluded infringement claims under both state and federal law)).

The Eighth Circuit's ruling eviscerates this body of law as it applies to trademark licensors and sets it apart from this Court and the other appellate courts. The jury did not make any findings on laches, but found in favor of Ms. Johnson on liability. The district court erred by failing to make the necessary findings of fact and conclusions of law to articulate its reasons for confirming the jury's decision. *See, e.g. Tandy Corp. v. Malone & Hyde, Inc.*, 769 F.2d 362, 366 (6th Cir. 1985) (reversing a district court who failed to articulate a basis for disregarding the rules concerning presumption of inexcusable delay). The Eighth Circuit declined to review this decision in any meaningful fashion. These decisions permit licensors to intentionally disregard their obligations and yet be able to assert a claim to disgorgement of the licensee's profits after expiration of a lengthy license.

## II. Permitting a Plaintiff to Recover Profits Without Showing Any Damages or Actual Confusion is Contrary to the Lanham Act.

Disgorgement, or an accounting of profits, is not ordered "merely because there has been an infringement." *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 131 (1947). Instead, Courts have identified three justifications that, in addition

to a finding of willfulness, support an award disgorging profits. "If a registered owner proves willful, deliberate infringement or deception, 'an accounting of profits may be based upon 1) unjust enrichment, 2) damages, or 3) deterrence of a willful infringer.'" *Minnesota Pet Breeders*, 41 F.3d at 1247. Previous Eighth Circuit cases had stated that a showing of actual confusion was required to support an award of monetary relief.[6] Here, however, the Eighth Circuit found that the relevant question was not actual confusion but rather whether UHS adhered to the contract. App. 15a-16a. The Eighth Circuit identified these rationales, in particular unjust enrichment, as justifying the jury's award.

None of these theories apply here. The jury's award of $2.4 million in UHS profits was not supported by actual confusion, actual damage, or supplemental findings concerning deceptive intent. This leaves deterrence of a willful infringer as the only possible justification for the disgorgement of profits award. An award strictly based on deterrence was not justified here – UHS had ceased using the mark mere weeks after the first complaint and has not used it since. UHS discontinued use of the mark nearly two years before Ms. Johnson filed

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[6] Until the panel decision, Eighth Circuit law uniformly reflected this position. *See Conopco, Inc. v. May Dept. Stores Co.*, 46 F.3d 1556, 1563 (Fed. Cir. 1994), *cert. denied*, 514 U.S. 1078 (1995); *Woodsmith Publ'g Co. v. Meredith Corp.*, 904 F.2d 1244, 1247 n.5 (8th Cir. 1990); *Co-Rect Prods., Inc. v. Marvy! Adver. Photography, Inc.*, 780 F.2d 1324, 1329-30 (8th Cir. 1985). "In the Eighth Circuit, the elements to be proved . . . differ depending on whether injunctive or monetary relief is being sought." *Conopco*, 46 F.3d at 1563.

suit and more than three and a half years before trial occurred. The jury and judge did not make any findings with respect to deterrence or unjust enrichment. Rather, the interpretation of the Eighth Circuit permits a punitive damage award based only on a contractual breach, one that a jury found to be wilful.

UHS submits that none of the traditional justifications of a disgorgement of profits in a trademark case are present here and that the Eighth Circuit's interpretation of the Lanham Act in this case is improper – either actual damages, actual confusion, or findings with respect to unjust enrichment or deterrence are necessary. On all of these issues the judge and jury were either silent or found in favor of UHS.

### A. Awarding Disgorgement of Profits Strictly for the Purpose of Deterrence is Punitive.

While unstated due to the lack of findings of fact and conclusions of law,[7] the trial court may have justified the jury's award of disgorgement of profits based on deterrence of a willful infringer. The goal

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[7] UHS submits that the district court's order relating to 15 U.S.C. § 1117 violated Federal Rule of Civil Procedure 52(a) in failing to make findings of fact and conclusions of law "To support such determinations, there must be findings, in such detail and exactness as the nature of the case permits, of subsidiary facts on which the ultimate conclusion of fairness can rationally be predicated." *Kelly v. Everglades Drainage Dist.*, 319 U.S. 415, 420 (1943). The Eighth Circuit commented that the district court's order was "brief to the point of cryptic" App. 19a.

of this theory is to "provide a sufficient deterrent to ensure that the guilty party will not return to its former ways and once again pollute the marketplace." *Sands, Taylor & Wood v. Quaker Oats Co.*, 34 F.3d 1340, 1348 (7th Cir. 1994).

Here, deterrence is wholly unnecessary as there is no chance that UHS will "return to its former ways." UHS believed it had obtained the rights to use the mark by obtaining a license and making all the payments required by that license at the fee agreed to by the parties in a timely manner. It did not receive any complaints about its use during the entire term of the license. After receiving notice of Ms. Johnson's allegations of infringement, it developed and implemented a plan to remove the mark from the clinics and their marketing. Thereafter, UHS has not used the mark.

The district court found that uses of the mark ceased before Ms. Johnson filed suit. UHSAppx. 544. The Eighth Circuit commented that enjoining UHS "under these circumstances would enjoin activity that appears unlikely ever to occur again..." App. 11a. No injunction was requested or awarded here. Logically, an injunction and deterrence of a willful infringer are intertwined – if the minimal relief of an injunction is unnecessary, then an award of disgorgement of profits under a theory of deterrence is likewise unnecessary. *See, e.g. Minnesota Pet Breeders*, 41 F.3d at 1247 ("if the registered owner is not entitled to an injunction, the additional claim for an award of profits will almost inevitably be denied."). Awarding disgorgement of profits here only serves to punish UHS, contrary to

the restrictions of the Lanham Act. *See* Section II(B), *supra*.

### B. Punitive Damage Awards are Prohibited Under the Lanham Act.

Punishment is a prohibited justification under 15 U.S.C. § 1117, or Section 35 of the Lanham Act. 15 U.S.C. § 1117(a) (awards "shall constitute a compensation and not a penalty."). Appellate courts have so held. "The language of section 35 is clear: the district court is given broad discretion to award the monetary relief necessary to serve the interests of justice, *provided it does not award such relief as a penalty*." *Metric & Multistandard Components Corp. v. Metric's, Inc.*, 635 F.2d 710, 715 (8th Cir. 1980) (emphasis added). The explicit language of the statute, in particular the qualifications that relief be "compensation and not a penalty" and that monetary relief is "subject to the principles of equity," when read in light of the legislative history, preclude punitive awards. *See Getty Petroleum Corp. v. Bartco Petroleum Corp.*, 858 F.2d 103, 108-112 (2d Cir. 1988).

In order for an award of profits to be compensatory rather than punitive, deterrence alone cannot justify the disgorgement. "[P]unitive awards are imposed for purposes of retribution and deterrence." *Pacific Mut. Life Ins. Co. v. Haslip*, 499 U.S. 1, 19 (1991). At least one appellate court has determined that deterrence alone is not an appropriate justification for awarding disgorgement of profits. *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 969 (D.C. Cir. 1990). The Court of Appeals for the District of Columbia found that

"deterrence is too weak and too easily invoked a justification for the severe and often cumbersome remedy of a profits award." *Id.* The Tenth Circuit more recently echoed this opinion. *Bishop v. Equinox Int'l Corp.*, 154 F.3d 1220, 1223 (10th Cir. 1998). This position adopts the Second Circuit's commentary that "an accounting may overcompensate for a plaintiff's actual injury and create a windfall judgment at the defendant's expense." *George Basch*, 968 F.2 at 1540. There is no evidence of findings by either the jury or the judge concerning the three recognized bases for awarding disgorgement of profits. Under the circumstances of this case, deterrence is not a valid justification and as such, only a prohibited punitive damage award remains.

### C. No Actual Confusion Was Present, Which is a Necessary Component of Unjust Enrichment.

Ms. Johnson made no effort to demonstrate any actual confusion in this case, she conducted no surveys and she did not obtain the testimony of a single consumer who was purportedly confused. The panel rationalized the need for a showing of actual confusion away by concluding that proof was unlikely to be found. App. 15a-16a. This finding was unsupported speculation

Unjust enrichment occurs when a trademark defendant is found to hold its profits, or a portion thereof, in constructive trust for the injured plaintiff. *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 259 (1916). This is proper where "defendant's sales 'were attributable to its infringing

use' of the plaintiff's" mark, and when the infringing use was at the plaintiff's expense." *George Basch*, 968 F.2 at 1540. Courts have found that an unjust enrichment theory may be based on "a showing of actual consumer confusion or at least proof of deceptive intent so as to raise" a presumption of confusion." *George Basch*, 968 F.2 at 1540.

Here, the Eighth Circuit excused the need to show actual consumer confusion based on the finding that a licensee had breached the license. App. 15a-16a. Whatever the conclusion may be with respect to whether the use made by UHS remained within the boundaries of the license, it is clear that Ms. Johnson could not have made any further licensing grants to any third party. UHSAppx. 1131 ("Licensor shall not grant any other licenses for the use of the Servicemark related to inpatient or outpatient health services."). Further, she could not have made any commercial uses of the mark herself as she was retired and had no desire to do so. Vol. 1, at 36-37; Vol. 2, at 42-43, 47-48. Accordingly, it cannot be said that the use made of the mark by UHS was at plaintiff's expense.

Further, neither the jury nor the district court made any findings concerning deceptive intent. UHSAppx. 541. The jury was instructed that willfully meant "knowing that such use was an infringement." *Id.* In other words, the willfulness finding by the jury amounts to little more than the conclusion that UHS intentionally violated the license. This breach says nothing about deceptive intent and therefore unjust enrichment should not be presumed here.

### D. The Jury Found that Ms. Johnson Was Not Damaged.

The jury found that Ms. Johnson was not damaged. App. 35a-36a. Specifically, when the jury was asked about Ms. Johnson's damages caused by UHS stemming from a breach of contract or infringement, the jury responded to each by stating "None." *Id.* This conclusion was supported by the evidence. Ms. Johnson retired in 1992. Vol. 1, at 36-37. She did not compete with UHS and admitted that, throughout the entire license period, she received no inquiries about licensing the mark and was not prevented from taking any business opportunity as a result of the alleged breach of the license. Vol. 1, at 72-73; Vol. 3, at 166. The evidence demonstrated that Ms. Johnson was not damaged by the alleged infringement and the jury so concluded. Thus, damage cannot be relied on to establish a basis for disgorgement of profits.

## CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted. Alternatively, this Court may wish to consider summarily reversing the decision below.

Respectfully Submitted,
THOMPSON COBURN LLP

Dean L. Franklin
*Counsel of Record*
One US Bank Plaza
St. Louis, Missouri 63101
Phone: (314) 552-6000
Fax: (314) 552-7000
dfranklin@thompsoncoburn.com

and

Ewell E. Eagan Jr.
Donna Phillips Currault
GORDON, ARATA, McCOLLAM,
DUPLANTIS & EAGAN, L.L.P.
201 St. Charles Avenue, 40th Floor
New Orleans, Louisiana 70170
Phone: (504) 582-1111
Fax: (504) 582-1121

*Attorneys for Petitioner*
*UHS of Delaware, Inc.*

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**United States Court of Appeals**
**FOR THE EIGHTH CIRCUIT**

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No. 09-3543

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Mary Virginia Masters, also known as
Virginia E. Johnson,

Appellee,

v.

UHS of Delaware, Inc.,

Appellant.

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No. 09-3700

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Mary Virginia Masters,
Virginia E. Johnson,

Appellant,

v.

UHS of Delaware, Inc.,

Appellee.

Appeals from the United States
District Court for the
Eastern District of Missouri.

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Submitted: September 21, 2010
Filed: January 6, 2011

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Before WOLLMAN, LOKEN, and HANSEN, Circuit Judges.

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WOLLMAN, Circuit Judge.

UHS of Delaware, Inc. (UHS) appeals from the judgment entered on a jury verdict of $2.4 million in favor of Mary Masters (Masters) on claims of service mark infringement under the Lanham Act and breach of contract. UHS contends that the district court[1] erred in concluding that Masters was eligible for monetary relief under the Lanham Act and in upholding an award based on disgorgement of profits. UHS also challenges the verdict, arguing that it is internally inconsistent and lacks sufficient evidentiary support. In her cross-appeal, Masters argues that the district court erred in denying her motion for prejudgment interest. We affirm.

I.

Masters, doing business as Virginia E. Johnson, and her late former husband, Dr. William

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[1] The Honorable Donald J. Stohr, United States District Judge for the Eastern District of Missouri.

H. Masters, were pioneers in the field of human sexuality. Together, they authored two books and developed treatment methods for the diagnosis and treatment of sexual dysfunction, from which they gained a considerable reputation in the field and the culture at large. As their stature grew, so too did the business opportunities in marketing their eponymous treatment method.

In 1991, Dr. and Mrs. Masters entered into a license agreement with UHS, which owns and operates a number of psychiatric hospitals and mental health facilities throughout the country. The agreement granted UHS use of the unregistered MASTERS AND JOHNSON service mark in connection with inpatient treatment programs conducted at its facilities. In 1995, Dr. and Mrs. Masters entered into another license agreement with UHS for a term of ten years. The license provided that:

> Licensor grants to Licensee a license, during the term of this Agreement, to utilize the Servicemark at all psychiatric hospitals and clinics managed or owned by Licensee or its parent company, Universal Health Services, Inc. in the treatment of sexual dysfunction and sexual trauma in accordance with the established methodology of Licensor.

Under the license agreement, UHS used the mark in association with its treatment programs. The treatment programs admitted only patients whom a treating physician had referred. To facilitate

referrals, UHS sponsored seminars and workshops during which it pitched its programs to other physicians and mental health professionals. UHS included the mark in promotional materials for these events and on various webpages of UHS facilities. Although Dr. Masters was present during some of these workshops and seminars, the parties dispute the extent of his involvement in, and oversight of, the programs and promotional materials that made use of the mark.

Dr. Masters died in 2001. The license agreement expired in 2005, and after negotiations for a new license failed, Mrs. Masters and UHS parted ways. In December of 2006, Masters sued UHS, alleging that (1) UHS had breached the license agreement; (2) UHS had committed service mark infringement under 15 U.S.C. §1125(a) of the Lanham Act and Missouri common law; and (3) UHS had engaged in unfair competition under Missouri common law. The unifying thread of Masters's claims was that UHS exceeded the scope of the license agreement by using the mark to promote treatment programs unrelated to sexual dysfunction and sexual trauma and to promote treatment methods unrelated to the established MASTERS AND JOHNSON methodology.

During the nine-day jury trial that commenced in late October 2008, Masters presented evidence that the mark had been used to promote treatment programs for eating disorders, chemical dependency, and other addiction disorders. She also presented evidence that UHS used the mark to promote treatment methods—ranging from yoga to expressive dance to t'ai chi—that departed from the

distinctive methodology the mark represents. Her expert testified that UHS had realized more than $320 million in gross revenues during the license term, and Masters contended that disgorging some of these profits was an appropriate remedy for UHS's infringing use of the mark.

UHS sought to bar Masters's suit on the basis of equitable defenses of acquiescence, laches, and estoppel and presented evidence that Masters knew, or should have known, how UHS had used the mark. It also asserted that its use of the mark was entirely within the scope of the agreement and claimed Dr. Masters had understood and approved of the manner in which UHS used the mark. It noted that it paid a total of $360,000 for use of the mark over the ten-year license term and that Masters never complained until the license expired. Its expert testified that UHS earned $6.5 million in net profits from its treatment programs during the license term, and UHS denied that any profits derived from unauthorized use.

At the close of evidence, UHS submitted a number of motions for judgment as a matter of law, arguing, among other things, that Masters had failed to present evidence sufficient to make a compensable claim under the Lanham Act. The district court rejected UHS's motions and submitted the case to the jury, which returned a verdict in Masters's favor, finding that UHS had willfully infringed the mark and breached the licensing agreement. When asked to determine what damages, if any, Masters had suffered, the jury responded: "None." It went on to award Masters $2.4 million of disgorged profits. UHS moved for judgment

notwithstanding the verdict. The district court issued an order affirming the award over UHS's objection and denying Masters's motion for prejudgment interest.

II.

On appeal, UHS raises many of the arguments it made before the district court. We review *de novo* the denial of UHS's motions for judgment as a matter of law, applying the same standard as the district court. Tatum v. City of Berkeley, 408 F.3d 543, 549 (8th Cir. 2005). Where UHS challenges the sufficiency of the evidence, we review it in the light most favorable to the verdict and will not set it aside unless no reasonable jury could have reached the same verdict based on the evidence submitted. Craig Outdoor Adver., Inc. v. Viacom Outdoor, Inc., 528 F.3d 1001, 1009 (8th Cir. 2008).

A. Equitable Defenses

UHS contends that laches, acquiescence, and equitable estoppel bar Masters's claims. It argues that the district erred in denying its motion for judgment as a matter of law on the basis of its defenses and in submitting its defenses to the jury.

The equitable defenses presented fact-bound inquiries that were properly submitted to the jury. Laches applies in a trademark action when "a claimant inexcusably delays in asserting its claim and thereby unduly prejudices the party against whom the claim ultimately is asserted." Hubbard Feeds, Inc. v. Animal Feed Supplement, Inc., 182

F.3d 598, 602 (8th Cir. 1999). Acquiescence may bar an infringement suit when "the owner of the trademark, by conveying to the defendant through affirmative word or deed, expressly or impliedly consents to the infringement." 3M Co. v. Intertape Polymer Group, Inc., 423 F. Supp. 2d 958, 965 (D. Minn. 2006). Similarly, estoppel bars a claim when an innocent defendant relies in good faith upon the claimant's misleading conduct or representations and changes its position to its detriment on the basis of that reliance. Hiland Potato Chip Co. v. Culbro Snack Foods, Inc., 720 F.2d 981, 984 (8th Cir. 1983).

UHS asserts that Masters knew, or should have known, of its open use of the mark in association with its treatment programs throughout the ten-year term and that her failure to bring the suit until after the license expired constitutes inexcusable, prejudicial delay. It also argues that Dr. Masters consented to its use of the mark, that it relied on that consent and Mrs. Masters's silence during the ten-year license term, and that Dr. Masters's consent should be imputed to Mrs. Masters under principles of partnership law. The factual underpinnings of UHS's equitable defenses, however, were disputed by Masters. Accordingly, the district court did not err in submitting the defenses to the jury.

Nor did the district court err in upholding the jury's determination. It instructed the jury that its verdict must be for the defendant if it found that UHS had proven laches, acquiescence, or estoppel by a preponderance of the evidence. The parties presented competing accounts of the underlying facts at issue, including what Masters knew and what she

should have known about UHS's use of the mark, whether her husband had consented to its use, and, if so, whether his consent should be imputed to her. The jury resolved these factual questions in favor of Masters. Because substantial evidence supports that conclusion, we hold that the district court did not err in denying UHS's motion for judgment as a matter of law on its equitable defenses.

### B. Scope of Use Permitted Under the Licensing Agreement

UHS contends that Masters presented no evidence that it exceeded the scope of the license agreement and therefore failed to establish liability under the Lanham Act. It reads the licensing agreement to encompass only the "service" of treating sexual dysfunction and asserts that Masters never established that UHS's use of the mark while rendering this service breached the terms of the agreement. According to UHS, any other use of the mark, including its presence in advertising materials and promotions for UHS seminars, does not constitute "use in commerce" under the Lanham Act and is therefore an improper evidentiary basis for imposing liability.

Section 43(a) of the Lanham Act imposes liability on "[a]ny person who . . . uses in commerce any word, term, name, symbol, or device, or any combination thereof . . . which . . . is likely to cause confusion . . . as to the origin, sponsorship, or approval of goods, services, or commercial activities." 15 U.S.C. §1125(a)(1)(A). UHS contends that the only "service" it provided in association with the mark was treatment of sexual trauma, which it had

a right to do under the license agreement. Because UHS complied with the agreement, the argument goes, Masters cannot prove that its use was likely to cause confusion and UHS is not liable for infringement of the mark.

The unspoken assumption that drives UHS's theory is that the mark was "used in commerce" when UHS provided treatment to patients, but not when it appeared in promotional materials of its treatment programs. This assumption is unsustainable in view of Section 45 of the Lanham Act, which defines when a servicemark is being "use[d] in commerce." Section 45 provides:

> The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this Chapter, a mark shall be deemed to be in use in commerce . . . on services *when it is used or displayed in the sale or advertising of services* and the services are rendered in commerce . . . .

15 U.S.C. §1127(2) (emphasis added). Under this definition, the MASTERS AND JOHNSON mark was "used in commerce" when it appeared in promotional materials designed to market UHS treatment programs. It also was "used in commerce" during workshops and seminars when UHS pitched its treatment programs to physicians and other health professionals to facilitate more patient referrals.

Masters provided the jury with evidence that UHS used the mark in association with treatment programs unrelated to sexual trauma and treatment methods unrelated to the established MASTERS AND JOHNSON methodology that the mark represents. The jury found that by doing so, UHS willfully breached the agreement, a finding that is supported by the evidence. Because UHS misreads relevant provisions of the Lanham Act and ignores evidence the jury found credible, we reject the analytic premises it provides and the conclusions it derives therefrom.

### C. Propriety of the Damages Award

UHS next alleges that the monetary award is improper as a matter of law and presses a litany of reasons in support of its argument, three of which we deem worthy of discussion. First, UHS claims that an injunction, rather than monetary relief, should be the exclusive remedy available to Masters. Next, it claims that willful infringement is a necessary prerequisite to award damages and that insufficient evidence exists to support the jury's finding of willful infringement. Finally, UHS argues that a monetary award is improper because Mrs. Masters failed to prove that actual confusion resulted from its infringement of the mark.

#### *1. Injunctive Relief*

Although injunctive relief is often the preferred remedy in resolving trademark disputes, it is not the exclusive remedy. We have acknowledged that "all Lanham Act remedies are equitable in nature" and that "[t]here might be some situations in

which a Lanham Act plaintiff would be entitled to monetary but not injunctive relief[.]" Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc., 41 F.3d 1242, 1247 (8th Cir. 1994). For example, the Lanham Act contemplates that a disgorgement or accounting of profits may be appropriate to remedy unfair infringement. 15 U.S.C. § 1117(a). We have recognized that upon proof of willful infringement, "an accounting of profits may be based upon 1) unjust enrichment, 2) damages, or 3) deterrence of a willful infringer." Minn. Pet Breeders, Inc., 41 F.3d at 1247.

Moreover, injunctive relief was not sufficient to do equity here. When Masters brought suit, the license term had ended and UHS maintained that it had cut off all association with the MASTERS AND JOHNSON mark. An injunction under these circumstances would enjoin activity that appears unlikely ever to occur again and would, therefore, amount to a remedy in name only. Accordingly, the district court did not err when it determined that monetary relief was appropriate, were the jury to conclude that UHS willfully infringed the mark.

*2. Willful Infringement*

The evidence was sufficient to support the jury's finding that UHS willfully infringed the mark.[2] UHS presented evidence that raised a

[2] A circuit split exists concerning whether a Lanham Act plaintiff must prove willful infringement, rather than mere infringement, to be eligible for monetary damages under 15 U.S.C. § 1125(a). The question turns on the effect of amendments to the Lanham Act Congress made in 1999. Compare Synergistic Int'l., LLC v. Korman, 470 F.3d 162, 175

reasonable inference that UHS executives and other employees knowingly elided the terms of the agreement to their advantage. This evidence included testimony from employees regarding the use of the mark as well as images from various webpages documenting the use of the mark to promote different treatment programs. Other evidence showed that UHS's marketing or branding activities evolved over time to expand the use of the mark and associate it with treatment programs unrelated to sexual dysfunction and sexual trauma. We cannot say that no reasonable jury would conclude that UHS willfully infringed the mark on the basis of the evidence. We therefore reject UHS's argument regarding the sufficiency of the evidence on this issue.

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n.13 (4th Cir. 2006) (concluding that amendments removed willfulness as a prerequisite for awarding profits under §1125(a)); Banjo Buddies, Inc. v. Renosky, 399 F.3d 168, 174-75 (3d Cir. 2005) (same) with W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc., 427 F.3d 1269, 1272-73 (10th Cir. 2005) (adhering to pre-amendment precedent regarding §1125(a) and requiring proof of willfulness to sustain the cause of action); Contessa Foods Prods. Inc. v. Lockpur Fish Processing Co., 123 F. Appx. 747, 751 (9th Cir. 2005) (same). See also 5 J. McCarthy, McCarthy on Trademarks and Unfair Competition §30:62 (4th ed. 2010) (criticizing circuit courts that have removed the willfulness requirement from §1125(a) on the basis of the 1999 amendments and arguing that such circuits "have leveraged this statutory change beyond its intended scope"). For purposes of adjudicating this appeal, we assume, without deciding, that willful infringement is a prerequisite of monetary relief.

*3. Actual confusion*

UHS next contends that Masters failed to prove actual confusion as between the parties or their business activities and therefore failed to establish a compensable claim. This issue presents a closer question. Our cases interpreting the Lanham Act state that actual confusion is a prerequisite of monetary damages and likelihood of confusion a prerequisite to injunctive relief. See, e.g., Woodsmith Publ'g Co. v. Meredith Corp., 904 F.2d 1244, 1247 n.5 (8th Cir. 1990) (citing Co-rect Prods., Inc. v. Marvy! Adver. Photography, Inc., 780 F.2d 1324, 1329-30 (8th Cir. 1985)). On closer examination, however, these cases do not yield the bright-line rule that UHS would have us apply here.

UHS contends that the relevant case law precludes the award of monetary relief absent proof of actual confusion. Masters urges that such proof is unnecessary in light of the licensor-licensee relationship of the parties, the nature of the infringement alleged, and the remedy of disgorged profits. We agree. Neither the relevant statutes nor our previous case law dictates that we require actual confusion to support the jury's award in this case. Accordingly, we hold that the district court did not err in denying UHS's motion for judgment as a matter of law.

The Lanham Act assigns civil liability to any company that uses in commerce any term or name that "is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or

approval of his or her goods, services, or commercial activities by another person . . . ." 15 U.S.C. §1125a(1)(A). Violation of this provision entitles a plaintiff, "subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action." 15 U.S.C. §1117(a). The relevant statutory provisions do not expressly require proof of actual confusion, and the use of the conjunctive "and" in the delineation of remedies invites a distinction between an award of a defendant's profits and an award of plaintiff's damages. That distinction is helpful in understanding both the origins and the limited application of the actual confusion requirement.

The rule requiring proof of actual confusion does not derive from the text of the Lanham Act itself, but from our prior cases. It is true that at least one of our prior cases has unequivocally stated by way of a footnote that actual confusion is required to support an award of damages. See Woodsmith Publ'g Co., 904 F.2d at 1247 n.5. But in that case we affirmed the district court's summary judgment based on an absence of even a likelihood of confusion. Id. at 1250. The case did not require us to decide whether actual confusion is a prerequisite for an award of damages, and the statement on that issue is dicta we are not bound to follow. See Passmore v. Astrue, 533 F.3d 658, 661 (8th Cir. 2008) ("[W]e need not follow dicta.") (quotations omitted). Likewise, in Co-Rect Products, Inc. v. Marvy! Advertising Photography, Inc., 780 F.2d 1324 (8th Cir. 1985), upon which Woodsmith relied, we disposed of the issue on the merits without considering whether actual confusion existed. The court stated that a showing of actual confusion

"entitles the owner of the mark to damages . . ." and that "[i]f . . . the use of that mark by another . . . causes actual confusion, the owner is entitled to damages." Id. at 1330. This is a positive statement—actual confusion entitles plaintiff to damages—and does not imply the converse: a plaintiff cannot recover damages without a showing of actual confusion. Finally, in Minnesota Pet Breeders, Inc. v. Schell & Kampeter, Inc., 41 F.3d 1242, 1247 (8th Cir. 1994), our court did not resolve the question of the necessity of actual confusion because it disposed of the case on other grounds. Consequently, none of those cases binds us to require actual confusion to support an award for monetary relief, including disgorgement of profits.

Moreover, the facts of this case illustrate why requiring actual confusion would undermine the equitable nature of the Lanham Act's remedial scheme. In a typical trademark case, the plaintiff alleges that the defendant's mark or trade dress is confusingly similar to its own. See, e.g., Minn. Pet Breeders, Inc., 41 F.3d at 1247; Woodsmith, 904 F.2d at 1244; Co-rect Prods., Inc., 780 F.2d at 1324. The plaintiff may prove actual confusion "through the use of direct evidence, i.e., testimony from members of the buying public, as well as through circumstantial evidence, e.g., consumer surveys or consumer reaction tests." Conopco, Inc. v. May Department Stores Co., 46 F.3d 1556, 1564 (Fed. Cir. 1994) (citation omitted). The analysis compares the two products or services in search of some objective characteristic that provides an empirical basis for assessing the plaintiff's claim.

This case involves a different kind of comparison, i.e., between the use of the mark the licensing agreement grants and UHS's actual use of the mark. In undertaking this comparison, it is difficult to discern what extrinsic proof of actual confusion—whether in the form of direct testimony or consumer surveys—could possibly contribute to the analysis. There are no objective characteristics by which to compare UHS and Masters because they were not competitors in the marketplace, but parties to a contract for use of a single mark. Accordingly, the degree of similarity is simply not a relevant criterion. Instead, the relevant criterion is the degree to which each party remained faithful to the terms of the license agreement.

Masters alleged, and the jury found, that UHS willfully infringed the mark by 1) using it to promote programs unrelated to sexual trauma or dysfunction, such as chemical dependency and eating disorders; and 2) using it to promote treatment techniques, such as yoga, expressive dance, and t'ai chi, that are unrelated to the methodology for which the mark and its namesakes, Dr. and Mrs. Masters, had become well-known. The jury determined that disgorgement of UHS's profits was appropriate in light of such willful infringement. Proof of actual confusion is not necessary to sustain that conclusion.

Section 1117 makes an award of the infringing party's profits subject only to the principles of equity. Disgorgement exists to deter would-be infringers and to safeguard against unjust enrichment. Where the jury disgorges profits to remedy a willful infringement that was likely to cause confusion, to cause mistake, or to deceive as to the relationship

between the parties' services, equity does not require adherence to the putative judge-made rule requiring actual confusion. This interpretation sensibly connects the unique facts of this case to the underlying equitable principles that animate the Lanham Act. Other circuits have rejected the notion that actual proof of confusion is always necessary to recover profits under the Lanham Act. See Gracie v. Gracie, 217 F.3d 1060, 1068 (9th Cir. 2000) (holding that eligibility for monetary relief under 15 U.S.C §1114 of the Lanham Act "requires only a *likelihood* of confusion combined with *willful* infringement") (emphasis in original); Wynn Oil Co. v. Am. Way Serv. Corp., 943 F.2d 595, 606-07 (6th Cir. 1991) (rejecting claim that plaintiff must prove actual confusion before he can recover profits from an infringer).

It stands to reason that UHS's unauthorized use of the MASTERS AND JOHNSON mark lent credence and legitimacy to programs and methods divorced from the intellectual theories that the mark symbolized. Using the mark to promote unrelated treatment programs and methods necessarily adulterates what the mark represents, i.e., a discrete approach for treating sexual dysfunction. By branding with Masters's mark treatment offerings that did not fall within the terms of the agreement, UHS acted in a way likely to cause confusion, to cause mistake, and to deceive others (including physicians and their patients) as to Masters's approval of those unauthorized programs. Such a violation entitles Masters to a disgorgement of UHS's profits, subject to principles of equity.

D. Challenges to the Verdict

UHS first contends that Masters was ineligible to recover profits because the jury answered "none" to the specific interrogatory asking it to fix Masters's damages. An award of monetary relief under the Lanham Act must be compensatory, not a penalty. 15 U.S.C. § 1117(a). It does not follow, however, that a finding of damages is a precondition of any monetary award. As noted above, a finding of willful infringement may justify an accounting of profits "based upon 1) unjust enrichment, 2) damages, or 3) deterrence of a willful infringer." Minn. Pet Breeders, Inc., 41 F.3d at 1247; see also Bishop v. Equinox Int'l Corp., 154 F.3d 1220, 1223 (10th Cir. 1998) (finding that the absence of actual damages does not preclude an award of defendant's profits, which may deter willful infringement or prevent unjust enrichment); Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc., 80 F.3d 749, 753 (2d Cir. 1996) (same).

The $2.4 million verdict is not punitive in nature, but rests on the valid rationale of preventing unjust enrichment. The theory of the case Masters presented to the jury focused on the ways in which UHS used the mark to its advantage in marketing an array of treatment programs and methods at its facilities. That use was not part of the agreement the parties struck, and any profits earned from unauthorized use exceeds the benefit for which UHS bargained. Furthermore, the evidence was sufficient to support the verdict. Masters's expert estimated gross revenues at more than $300 million during the relevant period, and UHS's own expert testified that its net profits from the treatment programs exceeded

$6 million. These numbers provide a reasonable basis from which the jury could determine that disgorging $2.4 million in profits was necessary to prevent UHS from being unjustly enriched.

UHS maintains that the award is excessive and that the district court erred as a matter of law when it did not reduce the award. Under 15 U.S.C. §1117(a), the district court has discretion to award monetary relief itself or to increase or decrease the jury's award of profits. See Metric & Multistandard Components Corp. v. Metric's Inc., 635 F.2d 710, 715 (8th Cir. 1980). Here, the district court considered UHS's claim that it should rescind or reduce the award and declined to do so. Though the district court's order upholding the award was brief to the point of being cryptic, the expert testimony on UHS's gross revenues and net profits during the license term provides sufficient evidentiary support for its decision. In sum, the finding that Masters suffered no actual damages does not of itself preclude the award, sufficient evidence exists for a reasonable jury to disgorge $2.4 million in profits on the theory of preventing unjust enrichment, and the district court did not err as a matter of law when it upheld that award.

UHS also challenges the verdict on the grounds that it is internally inconsistent. It avers that a finding of no actual damages in a specific interrogatory does not comport with the award and asserts that under Fed R. Civ. P. 49(b)(3), this panel should adjust the general verdict to cohere with the specific interrogatory (i.e. rescind the award altogether) or vacate the judgment and remand the matter for new trial. We have recognized that

appellate courts have a duty "to harmonize inconsistent verdicts, viewing the case in any reasonable way that makes the verdicts consistent." Anheuser-Busch, Inc. v. John Labatt Ltd., 89 F.3d 1339, 1347 (8th Cir. 1996); see also 9B Charles Alan Wright & Arthur R. Miller, Federal Practice and Procedure § 2513 (3d ed. 2008) (recognizing that "it is the duty of the district court to reconcile the jury's general verdict and its interrogatory responses if reasonable reconciliation is possible").

Here, it is possible to follow the jury's reasoning and to reconcile its specific findings on the verdict form without altering the result. The progression of decisions the jury made as it worked through the verdict form is logically coherent and reveals a rational basis for the jury's decision. The jury was first asked to find in favor of Masters or UHS on both the breach of contract and infringement claims. Finding for Masters on both, it was asked to fix her actual damages. After finding no actual damages, it was asked to determine whether UHS willfully engaged in trademark infringement. Only after it had indicated that UHS had willfully infringed the mark did the jury calculate what, if any, profits Masters was entitled to receive. As noted above, the expert testimony from both parties supplied a basis on which the jury could reasonably ground its $2.4 million award. We defer to the jury's judgment, and thus we uphold award.

III.

Masters appeals the district court's denial of its motion for an award of prejudgment interest. We review the district court's ruling on prejudgment

interest for an abuse of discretion. Children's Broad. Corp. v. Walt Disney Co., 357 F.3d 860, 868 (8th Cir. 2004). "[P]rejudgment interest should ordinarily be granted unless exceptional or unusual circumstances exist making the award of interest inequitable." Stroh Container Co. v. Delphi Indus., Inc., 783 F.2d 743, 752 (8th Cir. 1986). To prevail, Masters must show that the district improperly weighed the equities and abused its discretion in not awarding prejudgment interest.

The district court did not abuse its discretion in denying Masters's motion for prejudgment interest. It determined that the award adequately compensated Masters and that it would be inequitable to award the interest, noting, among other things, that the defenses advanced by UHS were not baseless, vexatious, or unreasonable. We see no reason to disturb this finding.

IV.

The judgment is affirmed.

[Entered: September 30, 2009]

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

MARY VIRGINIA MASTERS, aka
VIRGINIA E. JOHNSON,

Plaintiff,

vs.

UHS OF DELAWARE, INC.,

Defendant

Case No. 4:06CV1850-DJS

ORDER

On December 29, 2006, plaintiff Mary Virginia Masters filed a complaint in this Court, alleging that defendant UHS of Delaware, Inc., violated a licence agreement that existed between the parties. Plaintiff asserted claims of unfair competition under the Lanham Act, and service mark infringement, unfair competition, and breach of contract under Missouri common law. A jury trial commenced on October 22, 2008, and, on November 5, 2008, the jury returned a verdict for plaintiff.[1] The jury awarded plaintiff no actual damages, but found that defendant had

[1] Pursuant to Missouri law, the parties agreed that the Court would enter judgment on the state law unfair competition and servicemark infringement claims according to whatever party prevailed on plaintiff's Lanham Act claim.

willfully engaged in servicemark infringement, and awarded $2,400,000.00 in disgorgement of profits. Judgment was entered by the Court on November 10, 2008.

Now before the Court are plaintiff's motions for attorney fees [Doc. #209] and prejudgment interest [Doc. #211]. These matters have been fully briefed and are ready for disposition.

Attorney's Fees

The American Rule regarding attorney fees is that parties must bear their own attorney fees absent a specific statutory provision shifting such costs. Aromatique, Inc. v. Gold Seal, Inc., 28 F.3d 863, 876 (8th Cir. 1994). In this case, plaintiff has submitted a request for attorney fees pursuant to 15 U.S.C. §1117, which states that in an infringement suit, a court "in exceptional cases may award reasonable attorney fees to the prevailing party." 15 U.S.C. §1117(a). There is no disagreement that, in this action, plaintiff is the prevailing party. The Court must therefore determine whether this case is "exceptional" as defined by statute such that it may, in its discretion, award attorney fees.

The determination of whether an infringement case is "exceptional" is committed to the discretion of the trial court, and is therefore not a jury determination. See Gilbert/Robinson, Inc. v. Carrie Beverage-Missouri, 989 F.2d 985, 991 n.5 (8th Cir. 1993) (referring to a trial court's ability to award attorney fees pursuant to 15 U.S.C. §1117 as one that is committed to that court's "carefully circumscribed discretion"). Although a court should

not disregard a jury's findings, because an attorney fees award involves a court's consideration of "the equities of the particular case," a jury's findings do not oblige the trial court to determine that a case is exceptional. Aromatique, 28 F.3d at 877. "[C]ourts have generally awarded attorneys' fees only when the infringement can be characterized as malicious, fraudulent, deliberate and willful." Minn. Pet-Breeders, Inc. v. Schell & Kampeter, Inc., 843 F. Supp. 506, 519-20 (D. Minn. 1993).

> Courts have defined the characteristics of exceptional cases with adjectives suggesting egregious conduct by a party. We have held that an exceptional case is one in which the plaintiff's action was groundless, unreasonable, vexatious, or pursued in bad faith. The Seventh Circuit recently described exceptional behavior in this context to be malicious, fraudulent, deliberate, or willful. Succinctly put, an exceptional case within the meaning of Section 35 is one in which one party's behavior went beyond the pale of acceptable conduct.

Aromatique, 28 F.3d at 877 (emphasis added) (internal quotations omitted); see also West Des Moines State Bank v. Hawkeye Bancorporation, 722 F.2d 411, 414-15 (8th Cir. 1983) (finding that if a "defendant's conduct was 'willful and deliberate' the trial court may well determine that this is the type of exceptional case for which an award of attorney's fees is appropriate." (internal quotation omitted)). However, courts have held that voluntary and intentional infringement may fall short of the kind of

culpability required to render a case exceptional because such actions may not "approach 'deliberate pirating' or 'egregious conduct.'" Tex. Pig Stands, Inc. v. Hard Rock Café, Int'l, 951 F.2d 684, 697-98 (5th Cir. 1992).

The jury in this case found for plaintiff on her Lanham Act claim, and further found that defendant had acted "willfully." The instructions defined "willfully" as "knowing that such use was an infringement." Despite this conclusion, the Court makes several observations about this case. First, as demonstrated at trial, Dr. Masters, one of the licensors, participated in defendant's infringing programs. Although the capacity of his participation was disputed, his presence cannot be denied. Second, there is evidence that plaintiff also knew of or had reason to know of defendant's infringing use. Although the jury eventually rejected defendant's affirmative defenses, the Court does not now find that the theories advanced by defendant were baseless, vexatious, or unreasonable. Finally, the length of time of defendant's open infringing use weighs against finding this case exceptional.

In consideration of the facts of this particular case, the Court, in its discretion, finds that defendant's infringing behavior, although willful, was not so egregious that it went "beyond the pale" of acceptable conduct. This is not an exceptional case as contemplated by the Lanham Act, and the Court will therefore deny plaintiff's motion for attorney fees. See Mid-State Aftermarket Body Parts, Inc. v. MQVP, Inc., 373 F. Supp. 2d 945, 948 (E.D. Ark. 2005).

Prejudgment Interest

Plaintiff asks that the Court include an award for prejudgment interest. Under the Lanham Act, the Court has discretion to award prejudgment interest. EFCO Corp. v. Symons Corp., 219 F.3d 734, 742 (8th Cir. 2000). "The award of prejudgment interest is generally entrusted to the district court's discretion." Id. at 742. The Eighth Circuit has stated that "prejudgment interest is to be awarded when the amount of the underlying liability is reasonably capable of ascertainment and the relief granted would otherwise fall short of making the claimant whole because he or she has been denied the use of money which was legally due." Stroh Container Co. v. Delphi Indus., Inc., 783 F.2d 743, 752 (8th Cir. 1986) (citations omitted). "[P]rejudgment interest should ordinarily be granted unless exceptional or unusual circumstances exist making the award of interest inequitable." Id.

> Prejudgment interest serves at least two purposes: (1) it helps compensate plaintiffs for the true cost of money damages they have incurred, and (2) where liability and the amount of damages are fairly certain, it promotes settlement and deters an attempt to benefit unfairly from the inherent delays of litigation.

Gen. Facilities, Inc. v. Nat'l Marine Serv., Inc., 664 F.2d 672, 674 (8th Cir. 1981).

In this case, the jury made two damage determinations. The first concerned "actual

damages," a phrase which was defined as the sum that would reasonably and fairly compensate plaintiff for any injury caused by defendant's breach of contract or servicemark infringement. The jury was further instructed that actual damages may include a reasonably royalty, which was defined as a payment made to a servicemark holder in exchange for rights to use the servicemark in connection with the licensee's services. The jury awarded no actual damages. The second damage determination concerned disgorgement of "defendant's profits," which was defined by the instructions as the money in sales that defendant made due to the servicemark infringement, after deducting expenses directly associated with those sales. The jury awarded plaintiff $2,400,000.00 of defendant's profits.

The Court finds that an award of prejudgment interest in this case would be inappropriate. First, as stated above, the jury's award represents only disgorgement of profits. No actual damages were found to be due to plaintiff, and it is therefore difficult to say defendant's conduct thwarted plaintiff's right to be "made whole." That is, the injury incurred by plaintiff does not now require any monetary compensation. While defendant did have use of these profits during the infringement period, as with attorney fees, the length of time of defendant's open infringing use weighs against now awarding interest for that period. The amount of the award (the money in sales defendant made due to the servicemark infringement), is not such a fixed sum relatively capable of ascertainment that the Court should now find that failure to calculate such a number before trial obstructed settlement. Further, the interests of promoting settlement and

discouraging unfair benefit are not advanced by an award of prejudgment interest in a case like this, where the license agreement had ended and the infringement had ceased by the time plaintiff's claims were made. Additionally, as stated by the Court above, although ultimately rejected by the jury, the theories advanced by defendant cannot be described as baseless, vexatious, or unreasonable. Finally, considering the size of the jury's verdict, although found not to be inadequate or excessive by the Court, it would be inequitable to now award an additional $535,140.00. Upon consideration of all of the aforementioned reasons, the Court finds that plaintiff's motion for prejudgment interest should be denied.

For the above-stated reasons,

**IT IS HEREBY ORDERED** that plaintiff's motion for attorney fees [Doc. #209] is denied.

**IT IS FURTHER ORDERED** that plaintiff's motion for prejudgment interest [Doc. #211] is denied.

Dated this 30th day of September, 2009.

/s/Donald J. Stohr
UNITED STATES DISTRICT JUDGE

[Entered: September 30, 2009]

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

MARY VIRGINIA MASTERS, aka
VIRGINIA E. JOHNSON,

Plaintiff,

vs.

UHS OF DELAWARE, INC.,

Defendant

Case No. 4:06CV1850-DJS

ORDER

IT IS HEREBY ORDERED that defendant's motion for judgment notwithstanding the verdict or, in the alternative, a new trial [Doc. #214] is denied.

Dated this 30th day of September, 2009.

/s/Donald J. Stohr
UNITED STATES DISTRICT JUDGE

[Entered: November 10, 2008]

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

MARY VIRGINIA MASTERS, aka
VIRGINIA E. JOHNSON,

Plaintiff,

vs.

UHS OF DELAWARE, INC.,

Defendant

Case No. 4:06CV1850-DJS

ORDER

Pursuant to this Court's October 20, 2008, order [Doc. #158], any award representing disgorgement of defendant's profits is subject to review by this Court for inadequacy or excessiveness.

On November 5, 2008, the jury returned a verdict in plaintiff's favor in the amount of $2,400,000.00. This amount represented defendant's profits to which the jury found plaintiff entitled. The Court has reviewed the jury's award. The Court recognizes its authority to increase or reduce such an award for inadequacy or excessiveness, and declines to do so. Accordingly,

**IT IS HEREBY ORDERED** that judgment shall be entered in plaintiff's favor on Counts I, IV, V, and VII of plaintiff's amended complaint in the amount of $2,400,000.00, plus such postjudgment interest as is allowed by law at the applicable rate of 1.44% per annum.

Dated this 10th day of November, 2008.

/s/Donald J. Stohr
UNITED STATES DISTRICT JUDGE

[Entered: February 18, 2011]

United States Court of Appeals
FOR THE EIGHTH CIRCUIT

No. 09-3543

Mary Virginia Masters, also known as
Virginia E. Johnson,

Appellee

v.

UHS of Delaware, Inc.,

Appellant

No. 09-3700

Mary Virginia Masters,
Virginia E. Johnson,

Appellant

v.

UHS of Delaware, Inc.,

Appellee

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Appeal from U.S. District Court for
the Eastern District of Missouri – St. Louis
(4:06-cv-01850-DJS)
(4:06-cv-01850-DJS)

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## ORDER

The petition for rehearing en banc filed by Appellant/Cross-Appellee UHS of Delaware, Inc. is denied. The petition for rehearing by the panel is also denied.

The petition for rehearing by the panel filed by Appellee/Cross-Appellant Mary Masters is denied.

February 18, 2011

Order Entered at the Direction of the Court:
Clerk, U.S. Court of Appeals, Eighth Circuit.

/s/ Michael E. Gans

[Entered: November 5, 2008]

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

MARY VIRGINIA MASTERS, aka
VIRGINIA E. JOHNSON,

Plaintiff,

vs.

UHS OF DELAWARE, INC.,

Defendant.

Case No. 4:06CV1850-DJS

VERDICT FORM

PART A:

**Complete Part A by writing in the names required by your verdict.**

1. On the breach of contract claim of plaintiff Mary Virginia Masters, as submitted in Instruction No. 15, we find in favor of:

Plaintiff, Mary Virginia Masters
Plaintiff Mary Virginia Masters OR Defendant UHS of Deleware

2. On the servicemark infringement claim of plaintiff Mary Virginia Masters, as submitted in Instruction No. 16, we find in favor of:

Plaintiff, Mary Virginia Masters

Plaintiff Mary Virginia Masters OR Defendant UHS of Delaware

**PART B:**

**If you find for defendant UHS Delaware on both questions 1 and 2, your deliberations are finished. Leave questions 3, 4, 5, and 6 blank, and have your foreperson sign and date the verdict form in Part F.**

**If you find for plaintiff Mary Virginia Masters on both questions 1 and 2, leave question 3 blank, and go to part C.**

**If you find for plaintiff Mary Virginia Masters on question 1 with regard to the breach of contract claim, but for defendant UHS of Delaware on question 2 with regard to the servicemark infringement claim, answer question 3. Then, leave questions 4, 5, and 6 blank, and have your foreperson sign and date the verdict form in Part F.**

3. We find the plaintiff's actual damages, as stated in Instruction No. 22, but limited to the five-year period immediately preceding suit to be:

$\$$ None .
(State the amount or, if none, write the word "None.")

**Part C**

**If you find for plaintiff Mary Virginia Masters on both questions 1 and 2, answer question 4. Then go to Part D.**

4. We find plaintiff's actual damages, as stated in Instruction No. 22, to be:

$\$$ None .
(State the amount or, if none, write the word "None.")

**PART D:**

**If you find for plaintiff Mary Virginia Masters on both questions 1 and 2, answer question 5. Then go to Part E.**

5. We find that defendant has willfully engaged in servicemark infringement, as stated in Instruction No. 18.

**PART E:**

**Answer question 6 only if you find that defendant UHS of Delaware HAS willfully engaged in servicemark infringement as asked in question 5. If you find that defendant UHS of Delaware HAS NOT willfully engaged in servicemark infringement as asked in question**

**5, leave question 6 blank and have your foreperson sign and date the verdict form in Part F.**

6. We find the defendant's profits to which plaintiff is entitled, as stated in Instruction No. 24, to be:

$2,400,000.00.

(State the amount or, if none, write the word "None.")

**PART F: Your deliberations are over. Have the foreperson sign and date the verdict form.**

/s/
Foreperson

Dated this 5th day of November, 2008.